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SUBJECT: FEDERAL CIVIL SERVANTS UNION REELECTS LEADER AND
DEBATES PENSION/HEALTH CARE REFORM

¶1. SUMMARY: On February 16, Mexico,s federal civil service union federation, (the Federation of Unions of State Workers) FSTSE), held a national convention to elect, or more specifically, unanimously reelect its Secretary General, Joel Ayala Almeida. This will be Ayala,s third term as the national leader of the federal civil service union federation. During the convention Ayala expressed his opposition to salary caps for federal civil servants and to a Mexican government plan to promote voluntary retirement as way of eliminating jobs. Other items on the convention agenda were the admission into the federation of 13 previously unaffiliated public service unions and the formation of a union select committee to study proposed reforms to the federal employees, pension and health care systems. The pension and health care system debate could have broad implications for the Mexican government,s federal budget and for the 1.6 million civil servants that FSTSE claims to have on its union membership rolls. END SUMMARY.

UNION LEADER REELECTED

¶2. On February 16, Mexico,s federation of federal civil service unions (Federation of Unions of State Workers)-FSTSE) held a national convention. The main purpose of the convention was to elect an individual to the federation,s top leadership position of Secretary General. As expected, the convention reelected Joel Ayala Almeida to his third term as FSTSE Secretary General. With this reelection, Ayala is scheduled to serve as the leader of the federation until February 2013. In addition to being reelected as FSTSE Secretary General, at present Ayala is also a PRI Federal

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Deputy (equivalent to a US Congressman) in Mexico,s current national legislature. Ayala previously served as a Senator for the PRI (Institutional Revolutionary Party) in the previous session of the national legislature.

¶3. Joel Ayala,s reelection to the position of FSTE Secretary General was a foregone conclusion as he essentially ran unopposed. Ayala reportedly received the unanimous ballots of all 800 of the delegates eligible to vote in the FSTSE elections. As is customary in many union elections in Mexico, the FSTSE conducted the balloting for the office of Secretary General via a process known as an &economic vote8; essentially a show of hands.

¶4. During his acceptance speech, Joel Ayala pledged to continue doing everything possible to promote the interests of federal civil service employees. As an example of his

efforts on behalf of FSTSE Ayala noted that when he took over the federation in 1998 the base average monthly wage for public employees was 1,536 pesos (USD 142.00) and now, thanks to the federation that average wage has risen to 4,550 pesos (USD 421.00) a month. Ayala expressed his firm opposition to salary caps for federal employees (an idea strongly favored by Mexico,s recently inaugurated President, Felipe Calderon) and to a GOM proposal to offer (early) voluntary retirements as a way to eliminate public service jobs.

OTHER ITEMS ON THE CONVENTION AGENDA

¶15. In addition to electing a new Secretary General, the FSTSE national convention had two other major items on its agenda.

The first was a vote to expand the federation franchise. During the convention 13 other, previously unaffiliated public service unions were admitted into the federation. Prior to the admission of these new unions the FSTSE was composed of 86 individual public employee organizations, which, according to the federation, claimed to represent some 1.6 million federal civil servants throughout Mexico. Now, with the addition of the 13 new federation members, FSTSE claims it will represent over two million federal employees.

¶16. The some of the new member unions who are now part of the FSTSE include the Union of Mexican Navigation and Aerospace Service Employees; the Administrative Offices Workers Union, three separate unions within the Secretary of Transport and Communications, two separate Metro (subway) Workers Unions, the Employees Union of the Mexico City District Attorney,s Office, the Mexico City Education (teachers) Workers Union, and the Employees Union of the Secretary for Public Security of Mexico City.

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CONVENTION DISCUSSES PENSION AND HEALTH BENEFITS

¶17. The second major item of business on the FSTSE agenda was a discussion of a pending law to reform federal employees, pension and health care benefits. At present these benefits are provided by ISSSTE -- the Institute for Social Security and Security for Civil Servants. Under the administration of ISSSTE federal public employees receive health care and pension benefits through a system that is separate from the ones available to most Mexican citizens or workers under the national pension and health care systems. The pending ISSSTE reform law that the convention discussed was first proposed last year by Joel Ayala Almeida when he was still a federal Senator.

¶18. As originally proposed the reform law drew heavily from recommendations that the World Bank first made to the Mexican Government in 2001. When first introduced to the Mexican Congress, the ISSSTE reform laws, and the World Bank recommendations on which it was based, were broadly criticized as being too harsh. The proposed reforms would have removed some of the disparities between the (more generous) pension benefits available to public employees and these available to the average Mexican worker.

¶19. Other changes proposed in the reform law would have required more standardization across the board in how pensions for federal employees are administered. Under the standardized systems a mixed board of government and union appointed trustees would oversee the administration of federal employees, pension funds. The trustees would also be responsible for overseeing a system which tracts the benefits of individual employees more accurately than the

system which currently exists. In addition the proposed reforms would raise the retirement age of public employees and, starting in 2008, gradually increase the contributions to pension funds (over an as yet to be determined period) by both the GOM and federal employees from its current 3.5 percent of base salary to 6 percent of base salary.

¶10. With regard to health care benefits, the reform law would continue to allow parents of public employees to have access to ISSSTE medical services but only if the parents lived with the employee and were financially dependant on them. The proposed reform would cut benefits to the children of federal civil servants across the board. At present the children of federal employees are eligible for ISSSTE health services until age 18 or until age 24 if they are full time students. The proposal would change the maximum age for eligibility to health services to 16 years regardless of whether the son or daughter was a full time student.

¶11. The delegates at the FSTSE national convention decided that there was insufficient time available to them debate (and study) the implications of the proposed ISSSTE reform. Consequently, the convention formed a select committee to review the issues involved and report back to the national FSTSE leadership at an unspecified date.

COMMENT

¶12. The reelection of Joel Ayala Almeida was fairly typical of the way in which most internal union elections are held in Mexico in that the leaders of powerful unions are rarely replaced unless they choose to step down. In Ayala,s case he can make a convincing argument that the FSTSE has achieved measurable gains for its members. Moreover, Ayala,s support for a reform of the federal civil servants health care and pension benefits systems makes him a rarity among Mexican labor leaders who seldom (publicly) acknowledge a need to reduce previously negotiated benefits under any circumstances. Assuming he can persuade his public service employees, federation to accept the reforms of the ISSSTE system, (and as a member of one of Mexico,s two main opposition parties), he can be a valuable interlocutor on pension reform and other union topics for the relatively new government of Mexican President Felipe Calderon.

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